

Organisational Matters

CURRENCY MANAGEMENT

9.1 The currency management function of the Reserve Bank received added momentum with the number of issue offices of the Bank (including two sub-offices) increasing to 18 in 1998-99 from 17 in the previous year and the number of currency chests operated by commercial banks and treasuries increasing to 4,163 from 4,140 in 1997-98. In all, the number of currency chests functioning as at the end of March 1999 stood at 4,181. The agency-wise details are given in [Table IX.1](#).

Table IX.1 : Number of Currency Chests

| Name of Agency | No. of currency chests as on 31.3.1999 | No. of currency chests as on 31.3.1998 |
|--|--|--|
| 1 | 2 | 3 |
| Treasuries | 424 | 424 |
| SBI/its Associates | 2,898 | 2,887 |
| Nationalised Banks | 820 | 809 |
| Private Sector Banks | 21* | 20 |
| Reserve Bank (including 2 sub-offices) | 18 | 17 |
| Total | 4,181 | 4,157 |

* Including 5 chests with branches of Jammu & Kashmir Bank Ltd.

9.2 Notes in circulation increased by 16.0 per cent to Rs.1,72,541 crore as at the end of March 1999 (March 26, 1999) from Rs.1,48,520 crore in March 1998.

9.3 Four currency verification and processing systems have been installed at the Bhopal regional office. These systems will process and authenticate bank notes, with provision for online shredding of unfit notes. Three similar systems have been installed at the Chandigarh regional office.

Monetary Museum

9.4 The Reserve Bank's Monetary Museum Website was inaugurated on December 11, 1998. The site is the culmination of the Bank's endeavours to document and present India's rich monetary heritage to the domestic as well as international viewers. The site aims at depicting the evolution of money and banking in India. It includes representative Indian coinage from ancient times to the present, a retrospect of Indian paper money and other facets of India's financial history, like indigenous banking, financial instruments like hundies, share certificates, early GP notes *etc.* The site marks a beginning and will be updated from time to time (URL: www.rbi.org.in).

Computerisation and Information Technology Systems

9.5 The focus of the Department of Information Technology during the year 1998-99 was predominantly on two issues – the reform of the payment and settlement systems in the country and the preparedness of the banking sector for dealing with the advent of the millennium.

9.6 The Reserve Bank has been taking major initiatives for the reform of the payment systems in India. The constitution of the multi-disciplinary Payment Systems Group (PSG) and its objectives were described in the previous year's Report. During the year 1998-99, the PSG, under the guidance of the Payment Systems Advisory Committee, continued to fulfill its role, working to consolidate the existing payment systems, developing new technologically advanced modes of payment and moving towards its ultimate objective of linking various payment and settlement systems into an efficient and integrated system that will function in an on-line, real-time environment. As a first step in this direction, the PSG published a monograph entitled "Payment Systems in India". The monograph is an informative and descriptive document on the payment and settlement systems in the country for creating awareness both within the country and abroad. For coordinating the reform process in payment and settlement systems at the national level, and for laying down policy directions in the payments area, the National Payments Council (NPC) has been formed, with members drawn from the apex level of the banking and financial institutions and the Government ([Box IX.1](#)). The first meeting of NPC took place on July 22, 1999. The Council endorsed the decision to put in place real time gross settlement system and for this purpose, recommended the adoption of Y-topology.

9.7 The Reserve Bank has been pursuing Year 2000 compliance in the banking and financial sector and advised banks and financial institutions to expeditiously achieve Year 2000 compliance of hardware, operating systems and application software, networking products, conversion of old data, *etc.* Besides, the Reserve Bank has been following vigorously to achieve Year 2000 compliance in different departments and offices of the Bank ([Box IX.2](#))

Box IX.1 National Payments Council

The National Payments Council (NPC) would focus on the broad policy parameters for designing and developing an integrated, state-of-the-art, robust payment and settlement systems for the country, with the proposed Real Time Gross Settlement System (RTGS) at its core. The constitution of the NPC was announced in the monetary and credit policy for the year 1999-2000 unveiled in April 1999. In May 1999, the Council was formally constituted with Shri S.P. Talwar, Deputy Governor, Reserve Bank of India as the Chairman. The members of the Council represent major commercial banks, Ministry of Finance, Stock Exchanges, SEBI, and Non-bank Financial Companies. The Chief General Manager, Department of Information Technology, Reserve Bank of India is the Member-Secretary of the Council. The NPC would pursue the following broad objectives:

- Coordination of the reform process at the national level;
- Giving policy directions for focussed and effective functioning of payments system;
- Laying down the broad parameters for design and development of an integrated payment and settlement system for the country; and
- Undertaking periodical reviews on the payment and settlement systems.

The Council's recommendations would have significant implications for monetary policy, payment and settlement systems oversight and legal, technological and systems and procedures related issues.

Box IX.2 **Status of Y2K Compliance in the RBI**

The Reserve Bank of India has adopted the definition of the British Standard Institution for Year 2000 Conformity. The Year 2000 compliance as per the definition will mean that “Neither performance nor functionality is affected by dates prior to, during and after Year 2000”.

The focus in 1997-98 was on creating awareness, compiling an inventory of all the systems, scoping of the problem areas, remediation efforts in the form of repair, replace or retire, followed by testing. During 1998-99 the emphasis was on continuous testing and business continuity planning. An update of the efforts made by the Bank as at the end of May 1999 in this direction is given below.

Replacement of PCs based on 80286/80386 chips: All departments and offices have taken steps for replacement of old 80286 and 80386 based computer systems with the latest Y2K compliant computer systems. The non-Y2K Compliant computer systems running the date sensitive applications have been replaced with Y2K Compliant computer systems at the regional offices and central office departments.

Operating Systems: All offices have moved over to Y2K Compliant versions of Novell NetWare 4.11, SCO UNIX 5.x.x, Windows NT 4.x, DOS 6.22 or later, Windows 95/98 and HP-UX 10.20 or 11.xx. Updates of these versions are continuously monitored.

Replacement of MICR systems: The installation of Y2K Compliant state-of-the-art technology for Mainframe Systems at National Clearing Cells at Mumbai, Chennai and New Delhi has already commenced. The new systems would be live during July-October 1999 at all the four centres including Calcutta. The HP-UX 10.20, the Y2K Compliant versions of the Operating System and System Software have been loaded on the HP 9000 Business Servers and BancTec 5700 Reader/Sorters operating at Bandra-Kurla Complex, Mumbai for cheque processing since November 1995.

Magnetic Media Input Based Clearing Software: The Y2K Compliant Magnetic Media Input Based Application Software has been developed and tested in-house. It has been supplied and installed in all the regional offices where the Bank has computerised settlement in the clearing house.

Electronic Clearing Service (ECS) - Credit and Debit Clearing: The source code of ECS (Credit) Application Software and the source code of the ECS (Debit) have been modified for Y2K Compliance.

Electronic Funds Transfer (EFT): The Application Software for the Electronic Funds Transfer has also been made Y2K Compliant and is made operational.

Securities Settlement System: The Delivery versus Payment System for processing the transactions in dated Government Securities held in Subsidiary General Ledger (SGL) Account, Book Debt and GP Notes Application Software have been made Y2K Compliant and supplied to all the offices of the Bank. Further the 10 per cent Relief Bonds Scheme (now 9 per cent) application software has also been made Y2K Compliant and is operational.

Applications in the Banking Departments of the Bank: The Deposit Accounts Departments of the Reserve Bank have been supplied with the DAD BASIS Version 3.0 Application Software, which has been made Y2K Compliant and independently tested and audited by a third party for Y2K Compliance. A comprehensive Y2K Compliant Application Software has been developed for the Public Accounts Departments of the Reserve Bank.

Currency Chest Accounting and related Application Software at Issue Offices: The work of development and data conversion of the revised currency chest accounting application and other application software is nearing completion. At present the application software developed is under testing. The Claims Application Software running at Mumbai Office is Y2K Compliant.

SWIFT Products and Services: The mandatory tests in November and December 1998 results have shown that the SWIFT System is Y2K compliant.

Third Party Certification: The Reserve Bank has started the process of third party certification of Year 2000 compliance of hardware, operating system, system software, and data base management systems, in central office departments and regional offices. The vendor selected for undertaking the certification has, under the agreement, an obligation to put suitable patches/ upgrades if a system is found non-compliant during the testing.

Contingency Plans: Contingency plans have been prepared to run the Magnetic Media Input Based Clearing Software at the four metropolitan cities in the case of failure of the MICR Cheque Processing System. In case the Magnetic Media Input Based Clearing Application Software fails, the entire processing will be done manually. A perusal of the contingency plans forwarded by various departments and offices reveals that necessary steps have been initiated by them to resort to paper based processing if need be by taking print-outs of books of accounts, ledgers, and registers starting January 1, 1999 and keeping them duly updated. Similarly, detailed contingency plans have been drawn for other areas.

Indian Financial Network (INFINET)

9.8 As mentioned in Section I of this Report, the Indian Financial Network (INFINET) – a

satellite-based Wide Area Network using Very Small Aperture Terminal (VSAT) technology – has been set up at Hyderabad to establish connectivity in the financial sector. For addressing the issues concerning implementation of the integrated payment and settlement systems relevant to user members which would arise during the implementation of the INFINET project, a Closed User Group (CUG) for INFINET was formed in July 1998 with representatives of the Reserve Bank, IDRBT, IBA and a representative each of the public sector banks which have joined the network. For focussed deliberation on issues and the formulation of detailed policy approaches, sub-groups have been constituted which went into specific areas relating to the broad spectrum of issues.

MICR Cheque Clearing

9.9 After a decade of use, the Mainframe systems for MICR cheque processing at the four metropolitan centres were replaced with modern and state-of-the-art systems with leading edge technology which are Year 2000 compliant. The new systems are scheduled to be operational at the four NCCs at Mumbai, New Delhi, Chennai and Calcutta during July to October 1999. During 1998-99, new MICR centres were set up at Ahmedabad, Kanpur, Baroda, Amritsar, Indore and Coimbatore. A total of ten MICR centres have now been operationalised. The issue of setting up such centres at 16 more centres having daily cheque volumes of over 10,000 is being actively pursued with the designated banks.

Electronic Banking Services

9.10 The Electronic Clearing Services (ECS) – Debit and Credit - for repetitive bulk retail payments in operation since 1996 have posted improvement. During the year 1998-99, all the regional offices have been equipped for ECS Credit scheme so that they could extend the facility to all member banks and their corporate customers. The number of user institutions has gone up to 113, including 5 public sector banks which decided to use ECS for making their dividend payments. The corporate bodies have started using the ECS Credit scheme for payment of interest/ dividend at 16 offices of the Reserve Bank. This individual limit on ECS transactions has been raised from Rs.1 lakh to Rs.5 lakh. The Income Tax department used ECS for effecting income tax refunds for the first time at Hyderabad.

9.11 During the year, ECS-Debit was introduced at Hyderabad, Bangalore, Ahmedabad, New Delhi and Pune for collection of telephone bills. The Citibank joined the scheme in November 1998 for collection of credit card dues. One noticeable development for the ECS-Debit scheme was the increase in the individual limit on ECS Debit transactions from Rs.25,000/- to Rs.1 lakh from August 1998 and further to Rs.5 lakh from June 1999.

9.12 The Electronic Funds Transfer (EFT) scheme was extended to all scheduled commercial banks from March 1999. The advertising campaign by IBA in the print media on the availability of EFT at public sector banks has led to increase in the use of the scheme. The EFT software was audited by the Indian Institute of Technology, Mumbai.

9.13 A committee was constituted in the Reserve Bank to look in to the entire gamut of the technology upgradation in the banking sector ([Box IX.3](#)).

Computerisation of Central Office Departments

9.14 The previous year's Report contained a short description of the Human Resources Information System (HRIS) developed by DIT for the Bank. The designing, development and testing of the HRIS package was done during this year. During 1998-99, DIT was actively associated in the development and modification of software for the use of Claims Section, 9 per cent Relief Bonds in dematerialised environment, Leave Package, RPCD, CAS Nagpur and Deposits Accounts Department. DIT was also involved in the development of System Requirement Specifications (SRS) and evaluation of packages for Bankers Training College, Inspection Department, Public Debt Office and Public Accounts Department of the Reserve Bank.

Box IX.3

Committee on Technology Upgradation in the Banking Sector

The Committee on Technology Upgradation in the Banking Sector (Chairman: Dr. A. Vasudevan) was formed in September 1998 to examine and make suggestions for a time-bound programme for technology upgradation in the banking sector as recommended by the second Narasimham Committee on Banking Sector Reforms. The members of the Committee were drawn from Government of India, (Ministry of Finance and Department of Electronics), banks, Indian Banks' Association, National Institute of Bank Management, Pune, Indian Institute of Science, Bangalore, IDRBT, Hyderabad, and Reserve Bank of India. The Chief General Manager, DIT was Member-Secretary to the Committee.

The terms of reference for the Committee were:

- To suggest necessary legislative changes for implementation of electronic funds transfer;
- To suggest ways to bring about computerisation of Government accounts in an expeditious and efficient manner;
- To work out the modalities for development and optimal utilisation of a satellite-based secure and robust Wide Area Network by banks and other financial institutions and to ultimately develop a sound and efficient payments system;
- To examine methods by which technological upgradation in banks and financial institutions could be effected and in the context, study the feasibility of establishment of standards, designing payments system backbone, and standards relating to security levels, messages and smart cards by IDRBT;
- To make recommendations for development of data warehousing and data mining, with a view to creating opportunities for development of efficient management information systems in the future;
- To recommend guidelines for outsourcing of programme development and implementation work; and
- To make recommendations on any other related issues.

The Committee constituted six Sub-groups to examine each of the terms of reference and the reports of these Sub-groups were integrated into the final report of the Committee.

The Committee submitted its report on May 7, 1999. The major thrust of the Committee has been on larger coverage of bank business by fully computerised branches; adoption of international standards in the areas of hardware, systems software and security; networking of computerised branches so as to interconnect the branches, their Treasury/Funds departments and the controlling and Head Offices; data warehousing and data mining, implementation of the reengineering process; and extensive training and development of human resources, computer audit *etc.*

HUMAN RESOURCES DEVELOPMENT

9.15 The second phase of Satisfaction Survey indicated that the Net Satisfaction Factor (NSF), which is the difference in percentage terms between the number of responses indicating satisfaction (including high satisfaction) and the number of responses indicating dissatisfaction (including high dissatisfaction), has improved to 3.93 per cent as against an NSF of (-) 0.63 per cent in a similar survey held in February 1996.

9.16 Promotion policy in respect of class III employees was revised on the basis of the recommendations of the Study Group set up for reviewing the opportunities available for career growth of Bank's Class III employees. Furthermore, the career growth opportunities of security officers and Rajbhasha officers have also improved.

9.17 An HRD Workshop was held in February 1999 in Staff College, Chennai to discuss issues relating to promotion policy, recruitment, training and placement policies, work culture and organisational regeneration. Later, in April 1999 another workshop was held in CAB, Pune on the issues of promotion policy and setting up of a development centre. A cross section of officers including representatives of the officers' associations attended the workshop. HRD experts addressed the gathering. The workshops instilled a strong feeling of participative management among the participants and also provided inputs for policy reviews.

9.18 Under the Bank's Summer Placement Scheme for the year 1999, placements were offered to 17 summer trainees in Mumbai, Calcutta, Bangalore, Chennai and New Delhi offices of the Bank.

Training

Bankers Training College, Mumbai

9.19 The College conducted 77 programmes in which 1,818 participants from different banks were trained during 1998-99 as compared with 91 programmes in which 2,102 participants were trained in 1997-98.

Reserve Bank Staff College, Chennai

9.20 The Reserve Bank Staff College, Chennai conducted 131 programmes during 1998-99 in which 3,055 Reserve Bank officers were trained as against 132 programmes benefiting 3,030

officers in 1997-98.

College of Agricultural Banking, Pune

9.21 The College conducted 126 programmes in which 2,940 officers were trained during 1998-99 as against 109 programmes in which 1,982 officers were trained in 1997-98.

Zonal Training Centres

9.22 The Zonal Training Centres at four metropolitan centres cater exclusively to the training needs of employees in Class III and Class IV of the Bank. During 1998-99, Zonal Training Centres conducted 95 programmes including programmes on computer appreciation for Class III employees and 12 programmes for Class IV staff. The number of employees trained during the year 1998-99 were 1,711 in Class III and 224 in Class IV as against 119 programmes involving 1,824 employees in Class III and 16 programmes involving 319 employees in Class IV in 1997-98.

Deputation of officers for training in India and abroad

9.23 During the year 1998-99, 199 officers were deputed by the Bank to participate in training programmes, seminars and conferences organised by various management/banking institutes in India. Besides, 340 officers in Grade A/B from various offices/central office departments were trained in behavioural science namely, 'Adventures in Attitudes' arranged at four nodal offices *i.e.*, Calcutta, Chennai, Mumbai and New Delhi. Furthermore, 152 officers were deputed by the Bank to attend training courses, seminars, conferences, workshops, *etc.* conducted by banking and financial institutions in 23 countries abroad.

9.24 Under the Golden Jubilee Scheme, four officers were selected for pursuing higher studies abroad in 1998-99. The total number of beneficiaries under the scheme so far stands at 51. During 1998-99, one officer was selected and granted study leave for pursuing higher studies abroad under the scheme introduced in 1994. Two officers were selected for pursuing Ph.D. studies under the Bank's scheme of sponsorship.

Training in Computer Technology

9.25 Under the Bank's scheme for providing incentives to staff members to acquire qualification in the field of computers, 5 officers and 6 clerical staff attended computer training courses at various institutions in the country, raising the total number of such beneficiaries so far to 257 and 976 respectively. In addition, the scheme of base level computer training for officers and Class III employees introduced by the Bank in November 1995 to cope with the increasing training needs in this area has been liberalised and various regional offices and central office departments have been delegated powers to depute officers and Class III employees to reputed computer training institutions to gain working knowledge of computers. Up to end-June 1999, 2,748 Class III employees and 1,167 officers have been trained. Further, with a view to enabling the officers to acquire more proficiency and skill in computer related areas, which are directly linked to their job performance, the CGMs/ GMs-in-Charge were delegated powers in June 1997, to depute officers to computer programmes conducted by reputed training institutes at their centres. These computer training programmes should be other than base level computer training programmes and programmes not conducted at training colleges of the Bank. Till June 30, 1999, 158 officers of various offices and departments were imparted training under the scheme.

9.26 With the objective of building up a core group of officers who will be able to manage and administer the data communication systems in place in the Bank as well as to assist and support the introduction and usage of future communication technologies that may be introduced in the Bank, officers are provided training on data communication and networking at the Indian Institute of Science, Bangalore during the year. During 1998-99, 15 officers were trained increasing the total number of trained officers in this area to 45.

Training facilities to officials from other countries

9.27 During 1998-99, 29 officials from eight countries viz., one each from Bhutan, Cambodia, Iran, Philippines, South Korea, nine from Nepal, eleven from Sri Lanka and four from Uganda were trained/provided study attachment facilities at the Bank's training establishments.

PROMOTION OF HINDI

9.28 The Rajbhasha Division of the Bank was upgraded as a separate department and named Rajbhasha Department with effect from July 1, 1998. The Bank continued its efforts vigorously for promotion of Hindi in different offices and departments. Hindi workshops and training programmes were arranged for imparting training to officers and other staff members for doing work in Hindi and for operating bilingual software packages.

9.29 During the year, several bilingual publications including the Reserve Bank of India monthly bulletin, the Annual Report, the Report on the Trend and Progress of Banking in India, the Report for Currency and Finance, the Annual Report of Services Board of the Reserve Bank, the Reserve Bank of India News Letter and the Credit Information Review were published. For the purpose of encouraging original writing in Hindi on banking, finance and other allied subjects, the Bank has continued the publication "Chintan-Anuchintan", which is a quarterly Hindi magazine. Besides, several proposals were approved by the Bank under the scheme of writing an original book on banking subjects in Hindi.

Industrial Relations

9.30 Industrial Relations in the Bank were generally peaceful during the year 1998-99. The relations with all the four recognised unions/associations of workmen and officers continued to be cordial.

Table IX.2: Recruitment During 1998

| Cadre | Total Recruited | Of which | | Percentage | |
|--------------|-----------------|----------|-----|------------|------|
| | | SC | S T | SC | S T |
| 1 | 2 | 3 | 4 | 5 | 6 |
| 1. Class I | 60 | 7 | 3 | 11.7 | 5.0 |
| 2. Class III | 103 | 12 | 11 | 11.7 | 10.7 |
| 3. Class IV | 299 | 93 | 9 | 31.1 | 3.0 |

| | | | | | |
|----------------------|------------|------------|-----------|-------------|------------|
| Total (1+2+3) | 462 | 112 | 23 | 24.2 | 5.0 |
|----------------------|------------|------------|-----------|-------------|------------|

Recruitment

9.31 During 1998, the Bank recruited 462 employees, of which 135 were from Scheduled Castes and Scheduled Tribes categories constituting 29.2 per cent of total recruitment. Cadre-wise and category-wise details of recruitment during 1998 are given in [Table IX.2](#).

9.32 The total staff strength as on December 31, 1998 was 31,626 compared with 33,084 a year ago. Of the total staff, 8,012 belonged to Scheduled Castes/ Scheduled Tribes ([Table IX.3](#)).

9.33 The Bank's Liaison Officer for Scheduled Caste/Scheduled Tribe employees conducted inspection of reservation rosters maintained at the Bank's New Delhi, Chandigarh, CAB Pune and Kanpur offices. Meetings between the Management and the representatives of the All India Reserve Bank Scheduled Castes/ Scheduled Tribes and Buddhist Employees Federation were held on four occasions (i.e. one in each quarter) during the year to discuss issues relating to the implementation of reservation policy in the Bank.

9.34 The total strength of ex-servicemen in the Bank at the end of 1998 stood at 666 in Class III and 1,169 in Class IV against 673 and 947, respectively at the end of 1997. The total number of handicapped employees in Class III and IV cadres in the Bank stood at 326 and 143, respectively at the end of 1998.

Housing Loans

9.35 During 1998-99(July-June) the Bank has sanctioned a sum of Rs.28.34 crore up to end December 1998 towards housing loan to employees as also the housing societies formed by employees as against Rs.25.08 crore during the previous year.

Surveys Conducted by the Bank

Survey of Small Borrowal Accounts

9.36 As mentioned in the Bank's Annual Report 1997-98, the results of the survey of Small Borrowal Accounts (each with credit limit of Rs.25,000 or less), with March 31, 1997 as reference date, were published in the February 1999 issue of the Reserve Bank of India Bulletin. The objective of the survey was to obtain a profile of these accounts together with their structural pattern according to important characteristics.

Data Dissemination

9.37 During the year, the Reserve Bank has brought out a special publication on the data base of the Indian economy entitled, "Hand Book of Statistics on Indian Economy" for dissemination of the historical and current statistics often used in research on the Indian economy. Apart from the regular publication of banking, monetary and other statistics, a data compendium giving detailed monthly time series data on banking developments since independence entitled,

“Selected Banking Indicators: 1947-1997” was brought out as a special publication marking the golden jubilee celebration of India's Independence.

Table IX.3 : Total Staff Strength During 1997 and 1998

| Cadre | Category-wise staff Strength | | | | | | Per cent to col.2 | |
|-----------------------|------------------------------|---------------|--------------|--------------|--------------|--------------|-------------------|------------|
| | All | | SCs | | STs | | SCs | STs |
| | 1998 | 1997 | 1998 | 1997 | 1998 | 1997 | 1998 | 1998 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 1. Class I | 6,953 | 7,024 | 766 | 699 | 166 | 170 | 11.0 | 2.4 |
| 2. Class III | 15,123 | 16,007 | 2,187 | 2,279 | 1,094 | 1,130 | 14.5 | 7.2 |
| 3. Class IV | 9,550 | 10,053 | 3,014 | 3,009 | 785 | 814 | 31.6 | 8.2 |
| Total (1+2+ 3) | 31,626 | 33,084 | 5,967 | 5,987 | 2,045 | 2,114 | 18.9 | 6.5 |

9.38 In pursuance of the policy of transparency, the Reserve Bank created a website (URL: www.rbi.org.in) on the internet in August 1996. The website is updated daily. The Reserve Bank website is actively used for dissemination of data and other information on Indian economy, particularly those relating to banking and financial sector. The website is also used for meeting the requirement of data dissemination under the Special Data Dissemination Standards of the International Monetary Fund. The information available on the Reserve Bank site includes the Weekly Statistical Supplement, Reserve Bank Bulletin, Annual Report of the Reserve Bank, Report on Trend and Progress of Banking in India, Quarterly Banking Statistics and research publications apart from other occasional discussion papers, banking guidelines and exchange control manual. The reports of most of the committees setup by the Reserve Bank are also made available on the site. It has database of all the information published on the site since its inception.

Central Database Management System for Reserve Bank of India

9.39 The Bank has decided to build a Central Database Management System (CDBMS) which will be a single source of information collected by or generated within the Bank. The CDBMS would be a state-of-the-art system of database management and would be made possible by organising data from different operational systems in an integrated manner within the framework of online relational database structure with on-line access facility. This will be done taking advantage of recent technological breakthroughs such as relational and multidimensional database management systems, client-server architecture, metadata modeling and repositories, and graphical user interfaces.

9.40 The system will enable authorised users to extract only the desired information and present this information in business terms, and in user friendly way. The system will also have a metadata component which will contain a comprehensive dictionary of data including data definitions, sources, methods of collection and compilation, periodicity, transformations used and all other important details. The development of CDBMS will be taken up in three phases –

(i) System Study, (ii) System Designing and (iii) Implementation. To provide guidance on all issues regarding architecture, technology and implementation of the CDBMS, the Bank has constituted a Policy Group under the Chairmanship of Deputy Governor, Dr. Y.V.Reddy. Apart from all the Executive Directors of the Bank, two senior level officers from Central Government and four technical experts from reputed organisations are also included in the group.

Development Research Group

9.41 The Development Research Group (DRG) in the Reserve Bank continued to serve as a forum for constructive debate and interaction among professional economists and policy makers on subjects of current interest. The DRG has so far published eighteen studies since its inception in 1991 on a wide range of subjects relating to monetary, fiscal, financial, real and external sector. During 1998-99, the DRG completed and published two studies entitled “Dynamics of Inflation in India: A Neural Network Approach” and “The Impact of the Uruguay Round on Growth and Structure of Indian Economy”. Another study entitled “Portfolio Selection for Management of Foreign Exchange Reserves”, was published in July 1999. The DRG is also responsible for publishing the Reserve Bank of India Occasional Papers which contain research contributions of the Bank Staff. During 1998-99, four issues of the Occasional Papers were published from the DRG.

Committees and Working Groups

9.42 The Reserve Bank constituted a number of working groups in the recent past to enable the in-depth examination of various issues in policy area and obtain expert guidance. Some of the Working Groups are on the latest developments, such as the launching of the Euro from January 1, 1999.

9.43 In order to study the implications of the launching of Euro and to examine the measures required to be undertaken to ensure the preparedness of the Indian banking system for transition to Euro, the Reserve Bank of India constituted a working group under the Chairmanship of V. Subrahmanyam, Executive Director. The working Group comprised officials of Reserve Bank of India, a few Indian and foreign banks and the Government of India. The Group examined various issues concerning Euro, ranging from the broader economic impact on trade and investment to micro and operational aspects of relevance to commercial banks in India and also for trade and industry. The Working Group submitted its report in October 1998. The recommendations of the Working Group which were implemented related to changes in market practices and in the rules of Foreign Exchange Dealers Association of India (FEDAI). A notification was issued under the Foreign Exchange Regulations Act (FERA) facilitating the use of Euro as a new currency. The Reserve Bank also convened a meeting of banks on December 29, 1998 to review and confirm the preparedness of participant banks on various issues relating to transition such as setting up correspondent arrangements, opening of Euro deposit accounts, training of staff, settlement instructions and changes in swift messaging standards.

High Powered Committee on Urban Co-operative Banks

9.44 A High Power Committee to review the performance of urban co-operative banks and to

suggest necessary measures to strengthen them was constituted in May 1999 under the Chairmanship of Shri K. Madhava Rao, former Chief Secretary, Government of Andhra Pradesh. The terms of reference of the Committee are: i) to evolve objective criteria to determine the need and potential for organising urban co-operative banks; review the existing entry point norms and examine the relevance of special dispensation for less/ least developed areas *etc*; ii) to review the existing policy pertaining to branch licensing and area of operation of urban co-operative banks; iii) to consider measures for determining the future set up of weak/ unlicensed banks; iv) to examine the feasibility of introducing capital adequacy norms for urban co-operative banks; v) to examine the need for conversion of co-operative credit societies into primary co-operative banks; vi) to suggest necessary legislative amendments to the Banking Regulation Act and the Co-operative Societies Act of various states for strengthening the urban banking environment. The committee will submit its report to the Bank in September 1999.

9.45 A number of other working groups and task forces constituted to the Bank which dealt with various operational and policy issues are listed in [Box IX.4](#).

Box IX.4 **Working Groups and Task Forces set up by the Reserve Bank**

Some of the major working groups, committees and task forces in different spheres of policy making during 1998-99 were:

Accounting

- Task Force for Revision of the Deposits Accounts Department Manual;
- Task Force for Revision of Public Debt Office Manual;
- Task Force for Revision of Securities Manual Section;
- Task Force for Revision of Public Accounts Department Manual;
- Task Force for Revision of Manual of Central Accounts Section, Nagpur;
- Study Group on Merger of Issue and Banking Department Balance Sheets; and
- Internal Group on Uniformity in Accounting/Valuation in Department of Government and Bank Accounts and Department of External Investments and Operations.

Banking and Supervision

- Working Group on Frauds for Rs.1 crore and above Reported by Commercial Banks during the Last Three Years;
- Working Group for Framing Guidelines on Write Off/ Compromise Settlements;
- Working Group on Non-SLR investments;
- Working Group on Harmonising the Role and Operations of Development Financial Institutions and Banks;
- Working Group for Preparation of Checklist IOs of the Reserve Bank to Evaluate the Internal Audit System in Banks Inspected by Them;
- Working Group on Asset Liability Management;
- Working Group on Debt Recovery Tribunals; and
- Working Group on Nostro Accounts.

External Sector

- Working Group on EURO;
- Technical Group on External Debt; and
- Working Group on International Banking Statistics.

Information Technology

- Committee on Technology Upgradation in Banking Sector.

Monetary Policy

- Informal Group on Repos;
- Informal Group on Retailing of Government Dated Securities;
- Working Group on Money Supply;
- Core Group on the Implementation of the Recommendations of the Working Group on Money Supply;
- Committee on Call Money Market;
- Working Group on Money Market Dealing Services;
- Working Group of Bankers to Improve Delivery Systems and Simplify Procedure for Provision of Credit and other Facilities to Exporters;
- Committee on Bank Rate; and
- Working Group on Liquidity Analysis and Forecasting

Others

- Informal Advisory Committee on Ways and Means Advances to State Governments; and
- Technical Committee on State Government Guarantees.

Standing Committee on Gold

9.46 The 'Standing Committee on Gold and Precious Metals', set up in the Reserve Bank in March 1997, has senior officials from related Departments of the Bank as members, besides an official each from the Ministry of Finance, Ministry of Commerce and State Bank of India. The committee makes recommendations to the Government of India on various policy issues relating to gold and development of the gold market in the country. The Standing Committee has recognised the need for introducing assaying and hallmarking in the country as also identifying nodal national regulatory agency for preparing a framework for this purpose. The Bureau of Indian Standards has been entrusted with the task of preparing and outlining a framework for assaying and hallmarking, which could be franchised. The legal framework for consumer protection and, redressal and penalty for non-compliance is expected to be put in place. The arrangements for setting up assaying/refining units involving certain banks on a joint venture basis with overseas technical collaboration have been finalised.

9.47 Keeping in view the rapidly changing financial environment and the emerging imperatives in the conduct of monetary policy, the Reserve Bank has been undertaking various initiatives which would improve the institutional mechanisms involved in the process of decision-making. The Bank has constituted a number of in-house groups and committees for monitoring and making assessment of the financial market developments and suggesting co-ordinated policy measures. Some of the recent major developments relating to the institutional mechanisms for the decision making process are given in [Box IX.5](#).

Box IX.5 Evolving Institutional Mechanisms for Decision-Making in RBI

With the deepening of financial sector reforms and growing importance of financial markets for the conduct of monetary, exchange rate and banking sector policies, the institutional mechanism for decision-making in the Reserve Bank has been undergoing a change. A number of formal and informal groups and committees have been constituted in the Bank in recent years to provide quick assessment of developments in financial markets and suggest suitable policy actions. Some of the major recent changes in the institutional framework relating to decision-making process in the Bank are outlined below.

An inter-departmental financial markets committee, which has been in operation since 1997, monitors financial market developments on a daily basis. The committee reviews market developments with regard to call money rates, foreign exchange, spot and forward rates, movements in volume of funds both in money and forex markets, yield rates and volumes in government securities market and other relevant developments in money and forex markets and banking and other monetary indicators. The committee makes quick assessment of the liquidity situation and recommends strategies for meeting the evolving situation in money and forex markets.

Keeping in view the shift of monetary policy focus to indirect instruments, the earlier practice of credit budget meetings with scheduled commercial banks have been transformed into resource management discussions wherein the stress has been placed on analysing resource mobilisation by the banks and its use. The resource management discussions are focussed on reviewing and obtaining a (i) projection of the bank's major sources and uses of funds; (ii) collecting qualitative information on the goals perceived and strategies proposed to be adopted by the bank in achieving these goals; (iii) obtaining the feedback on the policy announcement made and suggestions on future policy course and (iv) seeking banks' perception on liquidity and market conditions in the immediate context.

A technical advisory committee on Government Securities Market and a Standing Committee on Money Market with wider participation from within and outside the Bank have been in operation since 1997 to advise the Bank on issues relating to development of an efficient government securities and money market. In view of increasing integration of the money and government securities markets and commonality in the matters dealt with by the two committees, they have been merged into a newly constituted 'Technical Advisory Committee on Money and Government Securities Market' to advise the Bank, on an on going basis, on development of the money and Government securities markets.

In the area of banking policies a new arrangement of performance obligations and commitment has been introduced in the case of some selected banks which did not qualify for autonomy in terms of the prescribed prudential norms. The thrust of this performance review mechanism has been on ascertaining the banks' strategies in the coming years, achieving a targeted reduction in non-performing assets, and improving their operational efficiency, staff productivity and profitability.

Another feature of the recent changes in the policy making sphere has been the growing process of consultation with the state governments for improving fiscal management in the context of the financial sector reforms. This objective has been pursued through arranging meeting of State Finance Secretaries and the Ministry of Finance in the Reserve Bank at regular interval. These meetings have provided an important platform for exchange of views on critical policy issues relating to the health of state finances and progress of financial sector reform. During 1998-99, two meetings of the State Finance Secretaries were held to discuss issues regarding report of the Informal Advisory Committee on Ways and Means Advances to State Governments (Chairman Shri B.P.R. Vithal); the scheme of consolidated sinking fund; state government finances; draft report of the technical committee on state government guarantees; approach to market borrowing programme and issues concerning special category states; the scope of improving disclosure norms in state government budgets and issues relating to credit deposit ratio; and risk sharing in state guarantees and funds management at the state level.

Regulations Review Authority

9.48 In pursuance of its constant endeavour towards making the organisation more responsive to the needs of its customers, the Reserve Bank has set up a Regulations Review Authority to seek suggestions from the public and various agencies for simplification of procedures/regulations relating to the services rendered by the Bank. This is sought to be

achieved by elimination of unnecessary circulars, cumbersome procedures and forms which do not fulfil their stated purpose, or which are no longer required in view of the changes that have taken place in technology, regulatory framework or market developments. The objective is to make the Reserve Bank regulations effective and simple and reduce unnecessary paper work in that process. Dr.Y.V. Reddy, Deputy Governor, Reserve Bank of India has been appointed as the Regulations Review Authority for one year with effect from April 1, 1999. The general response to the setting up of the Regulations Review Authority has been quite encouraging. In the first three months itself more than eighty constructive suggestions have been received and they are under various stages of processing.

Parliamentary Committees

9.49 The Parliamentary Standing Committee on Finance, headed by Shri Murli Deora, Member of Parliament, visited the Bank on August 11, 1998 and held discussions with Governor and top executives.

9.50 The Parliamentary Standing Committee on Food, Civil Supplies and Public Distribution, headed by Shri R.P. Singh, Member of Parliament, visited Mumbai and held discussions with top executives of the Bank on October 14, 1998.

9.51 Sub-Committee – I (of Department Related Parliamentary Standing Committee on Industry) headed by Shri Raghavji visited Mumbai and held discussions with top executives of the Bank on January 7, 1999.

9.52 The Parliamentary Committee on Government Assurances (Rajya Sabha) headed by Shri S.R. Reddy visited Mumbai and held discussions with top executives of the Bank on February 1, 1999.

Central Board/Local Boards

9.53 Shri Montek Singh Ahluwalia, ceased to be the Government nominee on the Central Board with effect from September 2, 1998 and Dr. Vijay L. Kelkar, Finance Secretary, Government of India, was nominated in his place from that date.

9.54 Shri K.Ramunni Menon resigned from the Local Board Southern Area with effect from November 11, 1998.

Appointment/Retirement of Executives

9.55 Shri Khizer Ahmed, Chief General Manager was appointed as Executive Director with effect from November 1, 1998.

9.56 Shri V. Subrahmanyam, Executive Director retired from the Bank's service from the close of business on October 31, 1998.

9.57 Shri I. D. Agarwal, Chief General Manager and Secretary was appointed as Executive Director with effect from December 1, 1998.

9.58 Shri C. Harikumar, Executive Director retired from the Bank's service from the close of business on November 30, 1998.

9.59 Shri Taqi Husaini, Executive Director retired from the Bank's service from the close of business on June 30, 1999.

9.60 Shri M. G. Srivastava was appointed as Executive Director of the Bank with effect from July 1, 1999.